

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* ECKFORD	County* CALHOUN	Type* TOWNSHIP	MuniCode* 13-1-090
Opinion Date-Use Calendar* 9-4-08	Audit Submitted-Use Calendar* 10-13-2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? _____
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? <input type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 180,115.53
General Fund Expenditure:	<input type="checkbox"/> ? \$ 165,887.88
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 251,041.06
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* MARK	Last Name* CAMPBELL	Ten Digit License Number* 1101007803		
CPA Street Address* 512 N. LINCOLN, STE 100	City* BAY CITY	State* MI	Zip Code* 48708	Telephone* +1 (989) 894-1040
CPA Firm Name* CAMPBELL, KUSTERER	Unit's Street Address* 6612 23 MILE ROAD	Unit's City* HOMER	Unit's Zip* 49245	

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balance	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to Financial Statements	11-15
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	16
Other Supporting Information:	
General Fund Expenditures by Detailed Account	17
Statement of Changes in Assets and Liabilities – All Agency Funds	18

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

September 4, 2008

To the Township Board
Township of Eckford
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Eckford, Calhoun County, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Eckford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Eckford, Calhoun County, Michigan as of June 30, 2008, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

The Management's Discussion and Analysis report of the Township of Eckford covers the Township's financial performance during the year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2008, totaled \$268,966.65. This includes cash on hand, buildings, land, equipment, and investments.

Overall revenues were \$181,408.68. Overall expenses were \$165,887.88.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

All of the activities of the Township are reported as governmental activities. These include the General Fund and the Cemetery Fund.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan
CONDENSED FINANCIAL INFORMATION
For the year ended June 30, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	255 883
Capital Assets	<u>13 084</u>
Total Assets	<u>268 967</u>
Current Liabilities	-
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets:	
Invested in Capital Assets	13 084
Reserved	4 842
Unrestricted	<u>251 041</u>
Total Net Assets	<u><u>268 967</u></u>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	30 511
General Revenues:	
Property Taxes	49 281
State Revenue Sharing	91 300
Interest	7 668
Miscellaneous	<u>2 649</u>
Total Revenues	<u>181 409</u>
Program Expenses:	
Legislative	4 470
General Government	76 640
Public Safety	54 279
Public Works	21 490
Other	<u>12 678</u>
Total Expenses	<u>169 557</u>
Increase in Net Assets	11 852
Net Assets, July 1	<u>257 115</u>
Net Assets, June 30	<u><u>268 967</u></u>

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund and the Cemetery Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

For the fiscal year ended June 30, 2008, net assets of the Township increased by \$11,851.80 to \$268,966.65.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

For the fiscal year ended June 30, 2008, the fund balance of the General Fund increased by \$14,227.65 to \$251,041.06.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Eckford Township has no long-term debt activity at this time. The Township invested \$0 in capital assets during the fiscal year ended June 30, 2008.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township's plans for the future include the ability to meet expenses for the repair and upkeep of the Township's road improvements. Also, the possibility of a sewer line being implemented around one of the Township's lakes to serve the residents that are living near that lake.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Teresa Baylis, Township Treasurer or Bruce Rapp, Township Supervisor at 269-781-9222, 269-781-7445, or 269-781-7416.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	23 540 08
Investments	<u>232 342 57</u>
Total Current Assets	<u>255 882 65</u>
NONCURRENT ASSETS:	
Capital Assets	60 444 00
Less: Accumulated Depreciation	<u>(47 360 00)</u>
Total Noncurrent Assets	<u>13 084 00</u>
TOTAL ASSETS	<u><u>268 966 65</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	13 084 00
Reserved	4 841 59
Unrestricted	<u>251 041 06</u>
Total Net Assets	<u><u>268 966 65</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>268 966 65</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	4 470 00	-	(4 470 00)
General government	76 640 33	20 952 88	(55 687 45)
Public safety	54 279 06	8 348 00	(45 931 06)
Public works	21 490 01	1 209 80	(20 280 21)
Other	<u>12 677 48</u>	<u>-</u>	<u>(12 677 48)</u>
Total Governmental Activities	<u>169 556 88</u>	<u>30 510 68</u>	<u>(139 046 20)</u>
General Revenues:			
Property taxes			49 281 05
State revenue sharing			91 300 19
Interest			7 668 04
Miscellaneous			<u>2 648 72</u>
Total General Revenues			<u>150 898 00</u>
Change in net assets			11 851 80
Net assets, beginning of year			<u>257 114 85</u>
Net Assets, End of Year			<u>268 966 65</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2008

	<u>General</u>	<u>Other (Cemetery)</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	18 684 70	4 841 59	23 526 29
Investments	232 342 57	-	232 342 57
Due from other funds	<u>13 79</u>	<u>-</u>	<u>13 79</u>
Total Assets	<u><u>251 041 06</u></u>	<u><u>4 841 59</u></u>	<u><u>255 882 65</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Reserved	-	4 841 59	4 841 59
Unreserved:			
Undesignated	<u>251 041 06</u>	<u>-</u>	<u>251 041 06</u>
Total fund equity	<u><u>251 041 06</u></u>	<u><u>4 841 59</u></u>	<u><u>255 882 65</u></u>
Total Liabilities and Fund Equity	<u><u>251 041 06</u></u>	<u><u>4 841 59</u></u>	<u><u>255 882 65</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	255 882 65
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	60 444 00
Accumulated depreciation	<u>(47 360 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>268 966 65</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2008

	<u>General</u>	<u>Other (Cemetery)</u>	<u>Total</u>
Revenues:			
Property taxes	49 281 05	-	49 281 05
Licenses and permits	8 348 00	-	8 348 00
State revenue sharing	91 300 19	-	91 300 19
Charges for services	19 802 88	1 150 00	20 952 88
Interest	7 524 89	143 15	7 668 04
Special assessments	1 209 80	-	1 209 80
Miscellaneous	2 648 72	-	2 648 72
Total revenues	<u>180 115 53</u>	<u>1 293 15</u>	<u>181 408 68</u>
Expenditures:			
Legislative:			
Township Board	4 470 00	-	4 470 00
General government:			
Supervisor	10 080 00	-	10 080 00
Elections	2 523 68	-	2 523 68
Assessor	9 950 87	-	9 950 87
Clerk	10 280 00	-	10 280 00
Board of Review	660 00	-	660 00
Treasurer	12 135 00	-	12 135 00
Building and grounds	5 297 13	-	5 297 13
Cemetery	9 413 15	-	9 413 15
Unallocated	12 631 50	-	12 631 50
Public safety:			
Fire protection	42 988 06	-	42 988 06
Protective inspection	11 291 00	-	11 291 00
Public works:			
Highway and streets	18 252 14	-	18 252 14
Drains at large	1 417 90	-	1 417 90
Street lighting	1 819 97	-	1 819 97
Other:			
Social security	4 480 48	-	4 480 48
Insurance	8 197 00	-	8 197 00
Total expenditures	<u>165 887 88</u>	<u>-</u>	<u>165 887 88</u>
Excess of revenues over expenditures	14 227 65	1 293 15	15 520 80
Fund balances, July 1	<u>236 813 41</u>	<u>3 548 44</u>	<u>240 361 85</u>
Fund Balances, June 30	<u><u>251 041 06</u></u>	<u><u>4 841 59</u></u>	<u><u>255 882 65</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 15 520 80

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(3 669 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 11 851 80

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Eckford, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Eckford. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others. The Cemetery Perpetual Care Fund is used to account for amounts received for maintenance of the cemetery.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2007 tax roll millage rate was 1.00 mills, and the taxable value was \$48,718,400.00.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-30 years
Furniture and equipment	3-20 years

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits and Investments

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>23 540 08</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	37 050 90
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>37 050 90</u>

The Township had the following investments at June 30, 2008:

Nonrisk-categorized financial institution pooled funds	<u>232 342 57</u>
Total	<u>232 342 57</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits and Investments (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/08</u>
Land	5 506 00	-	-	5 506 00
Buildings	26 002 00	-	-	26 002 00
Equipment	<u>28 936 00</u>	<u>-</u>	<u>-</u>	<u>28 936 00</u>
Total	60 444 00	-	-	60 444 00
Accumulated Depreciation	<u>(43 691 00)</u>	<u>(3 669 00)</u>	<u>-</u>	<u>(47 360 00)</u>
Net Capital Assets	<u>16 753 00</u>	<u>(3 669 00)</u>	<u>-</u>	<u>13 084 00</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of June 30, 2008, the Township had building permit revenues of \$8,348.00 and building permit expenses of \$6,716.00.

Note 9 – Interfund Balances

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	5 01	Current Tax Collection	5 01
General	<u>8 78</u>	Agency	<u>8 78</u>
Total	<u>13 79</u>	Total	<u>13 79</u>

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	48 000 00	48 000 00	49 281 05	1 281 05
Licenses and permits	10 000 00	10 000 00	8 348 00	(1 652 00)
State revenue sharing	83 500 00	83 500 00	91 300 19	7 800 19
Charges for services	17 570 00	17 570 00	19 802 88	2 232 88
Interest	10 000 00	10 000 00	7 524 89	(2 475 11)
Special assessments	1 100 00	1 100 00	1 209 80	109 80
Miscellaneous	<u>3 500 00</u>	<u>3 500 00</u>	<u>2 648 72</u>	<u>(851 28)</u>
Total revenues	<u>173 670 00</u>	<u>173 670 00</u>	<u>180 115 53</u>	<u>6 445 53</u>
Expenditures:				
Legislative				
Township Board	5 000 00	5 000 00	4 470 00	(530 00)
General government:				
Supervisor	10 080 00	10 080 00	10 080 00	-
Elections	5 000 00	5 000 00	2 523 68	(2 476 32)
Assessor	10 450 00	10 650 00	9 950 87	(699 13)
Clerk	10 330 00	10 330 00	10 280 00	(50 00)
Board of Review	1 000 00	1 000 00	660 00	(340 00)
Treasurer	12 380 00	12 380 00	12 135 00	(245 00)
Building and grounds	7 100 00	7 100 00	5 297 13	(1 802 87)
Cemetery	10 280 00	10 430 00	9 413 15	(1 016 85)
Unallocated	39 050 00	38 700 00	12 631 50	(26 068 50)
Public safety:				
Fire protection	49 000 00	49 000 00	42 988 06	(6 011 94)
Protective inspection	17 000 00	17 000 00	11 291 00	(5 709 00)
Public works:				
Highways and streets	18 300 00	18 300 00	18 252 14	(47 86)
Drains at large	1 500 00	1 500 00	1 417 90	(82 10)
Street lighting	1 900 00	1 900 00	1 819 97	(80 03)
Other:				
Social security	4 700 00	4 700 00	4 480 48	(219 52)
Insurance	<u>9 000 00</u>	<u>9 000 00</u>	<u>8 197 00</u>	<u>(803 00)</u>
Total expenditures	<u>212 070 00</u>	<u>212 070 00</u>	<u>165 887 88</u>	<u>(46 182 12)</u>
Excess (deficiency) of revenues over expenditures	(38 400 00)	(38 400 00)	14 227 65	52 627 65
Fund balance, July 1	<u>170 000 00</u>	<u>170 000 00</u>	<u>236 813 41</u>	<u>66 813 41</u>
Fund Balance, June 30	<u>131 600 00</u>	<u>131 600 00</u>	<u>251 041 06</u>	<u>119 441 06</u>

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2008

Township Board:	
Salaries and wages	<u>4 470 00</u>
Supervisor:	
Salary	<u>10 080 00</u>
Elections	<u>2 523 68</u>
Assessor:	
Contracted services	9 600 00
Miscellaneous	<u>350 87</u>
	<u>9 950 87</u>
Clerk:	
Salary	10 080 00
Deputy	<u>200 00</u>
	<u>10 280 00</u>
Board of Review:	
Wages	<u>660 00</u>
Treasurer:	
Salary	11 880 00
Deputy	<u>255 00</u>
	<u>12 135 00</u>
Building and grounds:	
Utilities	3 583 99
Miscellaneous	<u>1 713 14</u>
	<u>5 297 13</u>
Cemetery:	
Sexton	8 430 00
Miscellaneous	<u>983 15</u>
	<u>9 413 15</u>
Unallocated:	
Attorney	3 384 50
Contracted services	1 227 00
Advertising	470 00
Education	1 327 05
Dues	1 045 92
Office supplies	3 493 62
Miscellaneous	<u>1 683 41</u>
	<u>12 631 50</u>
Fire protection:	
Contracted services	<u>42 988 06</u>
Protective inspection:	
Zoning inspector	2 440 00
Building inspector	6 716 00
Planning Commission	<u>2 135 00</u>
	<u>11 291 00</u>
Highways and streets	<u>18 252 14</u>
Drains at large	<u>1 417 90</u>
Street lighting	<u>1 819 97</u>
Social security	<u>4 480 48</u>
Insurance	<u>8 197 00</u>
Total Expenditures	<u><u>165 887 88</u></u>

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended June 30, 2008

	<u>Balance 7/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/08</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>7 45</u>	<u>1 711 893 02</u>	<u>1 711 895 46</u>	<u>5 01</u>
<u>Liabilities</u>				
Due to other funds	7 45	67 241 82	67 244 26	5 01
Due to others	<u>-</u>	<u>1 644 651 20</u>	<u>1 644 651 20</u>	<u>-</u>
Total Liabilities	<u>7 45</u>	<u>1 711 893 02</u>	<u>1 711 895 46</u>	<u>5 01</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>108 14</u>	<u>4 839 10</u>	<u>4 938 46</u>	<u>8 78</u>
<u>Liabilities</u>				
Due to other funds	108 14	172 41	271 77	8 78
Due to others	<u>-</u>	<u>4 666 69</u>	<u>4 666 69</u>	<u>-</u>
Total Liabilities	<u>108 14</u>	<u>4 839 10</u>	<u>4 938 46</u>	<u>8 78</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>115 59</u>	<u>1 716 732 12</u>	<u>1 716 833 92</u>	<u>13 79</u>
<u>Liabilities</u>				
Due to other funds	115 59	67 414 23	67 516 03	13 79
Due to others	<u>-</u>	<u>1 649 317 89</u>	<u>1 649 317 89</u>	<u>-</u>
Total Liabilities	<u>115 59</u>	<u>1 716 732 12</u>	<u>1 716 833 92</u>	<u>13 79</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 4, 2008

To the Township Board
Township of Eckford
Calhoun County, Michigan

We have audited the financial statements of the Township of Eckford for the year ended June 30, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Eckford in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Eckford
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants